

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS

JOHN HANCOCK LIFE INSURANCE  
COMPANY, JOHN HANCOCK  
VARIABLE LIFE INSURANCE  
COMPANY and MANULIFE  
INSURANCE COMPANY,

Plaintiffs,

v.

ABBOTT LABORATORIES,

Defendant.

CIVIL ACTION NO. 05-11150-DPW

**ABBOTT'S CORRECTED DEPOSITION DESIGNATIONS FOR JOHN  
MASTROMARINO**

Defendant Abbott Laboratories ("Abbott") respectfully submits the attached corrected deposition designations for the October 20, 2006 deposition of John Mastromarino, Chief Risk Officer, Hancock.

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Dated: February 20, 2008

Respectfully submitted,

ABBOTT LABORATORIES

By:     /s/ Eric J. Lorenzini      
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**CERTIFICATE OF SERVICE**

I hereby certify that this document(s) filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF) and paper copies will be sent to those indicated as non registered participants on February 20, 2008.

Date: February 20, 2008.

\_\_\_\_\_  
/s/ Ozge Guzelsu

## John Mastromarino Deposition Designations

<b>Depo Date</b>	<b>Witness</b>	<b>Hancock Designation</b>	<b>Abbott Counter Designation</b>	<b>Abbott Designation</b>	<b>Deposition Exhibit</b>	<b>Plaintiff Exhibit</b>	<b>Defendant Exhibit</b>
10/20/2006	Mastromarino, John			7:4-9:14			
10/20/2006	Mastromarino, John			10:18-11:6			
10/20/2006	Mastromarino, John			24:20-25:8			
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## **Color Key to Deposition Designations**

 **Designation by Plaintiffs**

 **Counter Designation by Defendants**

 **Designation by Defendants**

1 Volume: 1

2 Pages: 1-67

3 Exhibits: 1-4

4 UNITED STATES DISTRICT COURT

5 FOR THE

6 DISTRICT OF MASSACHUSETTS

7 ----- x

8 JOHN HANCOCK LIFE INSURANCE COMPANY,

9 JOHN HANCOCK VARIABLE LIFE INSURANCE

10 COMPANY, and MANULIFE INSURANCE COMPANY

11 (f/k/a INVESTORS PARTNER INSURANCE COMPANY),

12 Plaintiffs,

13 v. Civil Action No. 05-1150DPW

14 ABBOTT LABORATORIES,

15 Defendant.

16 ----- x

17 VIDEO DEPOSITION OF JOHN L. MASTROMARINO

18 Friday, October 20, 2006

19 10:03 a.m.

20 Donnelly, Conroy & Gelhaar

21 One Beacon Street

22 Boston, Massachusetts

23 Reporter: Carol A. Pagliaro, CSR/RPR/RMR

24

1 Q. Do you have any other formal degrees, other  
2 than the BA?

3 A. No.

4 Q. What has been your work experience? Why  
5 don't you start with graduation from college, and  
6 work up to the present, and just give me your  
7 employer and job title.

8 A. I was a Junior Accountant at the city of New  
9 Haven for a very brief period, 6 months, right out  
10 of school. Subsequently I joined the Comptroller of  
11 the Currency in 1978 period and was a National Bank  
12 Examiner with them for close to 18 years. During  
13 that period in 1984 I was in Washington, DC on a  
14 special developmental program. I was in London, the  
15 London office of the US Embassy in 1986 through '88,  
16 '89. I was the Examiner in charge of the First  
17 National Bank of Boston as part of the  
18 Multi-national Banking Program for the Comptroller  
19 of the Currency in 1989 through 93. In '93, '94 I  
20 went back to London to head the Comptroller's London  
21 office at the US Embassy where we reviewed national  
22 banks for London, Europe, Middle East and Africa.  
23 Throughout my regulatory period I did a number of  
24 international assignments, both in Europe and in

1 Asia.

2 In 1995 I became the Chief Risk Officer  
3 for the First National Bank of Boston, the Bank of  
4 Boston Corporation. I was the Chief Risk Officer  
5 there through 1999, the merger with Fleet Bank,  
6 which occurred in October of 1999.

7 At that time my role changed to Deputy  
8 Chief National Bank Examiner and was promoted to  
9 Executive Vice-president of the Corporation in March  
10 of 19 -- I think it was 2000 and held various titles  
11 and positions until I left in August of 2002.

12 In February of 2003 I became the Chief  
13 Risk Officer for John Hancock in Boston and left  
14 John Hancock in May of 2004 upon the merger with --  
15 or the acquisition by Manulife and subsequently  
16 created my own consultancy where I work with  
17 troubled companies as a turnaround specialist, and  
18 I've been doing that, among other things, over the  
19 past 2 plus years.

20 Q. Thank you. I want to focus on your position  
21 as Chief Risk Officer at John Hancock. Did the  
22 position of Chief Risk Officer exist prior to your  
23 arrival at John Hancock?

24 A. No.



1 Q. So John Hancock didn't have that position

2 until you arrived on the scene?

3 A. Correct.

4 Q. Did anyone explain to you why John Hancock

5 created the position of Chief Risk Officer?

6 A. Not specifically.

7 Q. What was your understanding of why John

8 Hancock created the position of Chief Risk Officer?

9 A. My belief was that the analyst, the

10 regulatory bodies, were trying to move the

11 insurance industry forward along the same lines of

12 what the banking institutions had created in years

13 past and that they were receiving pressure from the

14 regulatory and others to create this function.

15 Q. And when you say the regulatory bodies were

16 trying to move the insurance companies more in the

17 direction that the banks had moved in, can you

18 explain more what you mean by that?

19 A. Well, the various state regulatory bodies,

20 principally New York, I suppose, because they seem

21 to be the biggest insurance regulator, and to do

22 business in those areas, you know, they tend to like

23 a more robust risk management program, and so my

24 sense was that that was -- there was a number of

1 things that were pushing Hancock into that role, the  
2 creation of that role, and probably equally so the  
3 analysts, the insurance analysts, were saying that  
4 they liked that role in the bank, we would like to  
5 see you adopt something like that in the insurance  
6 industry.

7 Q. So insurance analysts and regulatory  
8 agencies had some level of concern that insurance  
9 companies were taking on too much risk?

10 ATTY. DAVIS: Objection.

11 A. It had little to do with risk, more than  
12 organizational governance, that they wanted a  
13 governance program similar to where the banks were  
14 in the mid-nineties where they created a more  
15 holistic collective view of the entire company  
16 under, you know, one individual who could serve to  
17 opine on various risks within the company.

18 Q. And the purpose of that new governance  
19 structure would be to manage risks?

20 ATTY. DAVIS: Objection. You can  
21 respond.

22 Q. More to assess risk, more to how risk is  
23 communicated throughout the corporation, what form,  
24 what vehicles, how frequent. It was an increasingly

1 popular view that boards of directors, as a result  
2 of some of the issues that took place in the late  
3 eighties, early nineties, wanted a more  
4 comprehensive assessment of the overall risk profile  
5 in the company, and they wanted to bring all that  
6 together, ideally, under one individual.

7 ATTY. DAVIS: I'm sorry to interrupt.  
8 We have the same stipulations that we have had?

9 ATTY. LORENZINI: Yes.

10 ATTY. DAVIS: So we are reserving all  
11 objections, except as to form; is that correct?

12 ATTY. LORENZINI: Yes.

13 ATTY. DAVIS: Motions to Strike also  
14 reserved?

15 ATTY. LORENZINI: Yes.

16 ATTY. DAVIS: Sorry to interrupt.

17 Q. What were your responsibilities as Chief  
18 Risk Officer of John Hancock?

19 A. It's a difficult question to answer because  
20 there was -- because Hancock was so new to this  
21 whole design as Chief Risk Officer, there were no --  
22 there was no job description, per se. There were no  
23 clear authorities vested in the new Chief Risk  
24 Officer. It was more a work in process as to do

1 establishing guidelines, refining guidelines,  
2 deciding, you know, how these things should total,  
3 but it was very much in the discussion phase when I  
4 arrived.

5 Q. That helps clarify things. So you are not  
6 clear -- strike that. You don't know whether John  
7 Hancock had guidelines regarding the aggregate  
8 amount of money that could be invested in  
9 transactions of a certain risk level prior to your  
10 arrival in 2003?

11 ATTY. DAVIS: Objection. You can  
12 respond.

13 A. I believe there was some guideline. I don't  
14 recall what that might have been.

15 Q. And you don't know -- if there was such a  
16 guideline prior to your arrival, you don't know if  
17 those guidelines were adhered to?

18 ATTY. DAVIS: Objection.

19 A. No.

20 Q. At any time during your employment at John  
21 Hancock did you become aware of a Research Funding  
22 Agreement between John Hancock and Abbott  
23 Laboratories?

24 A. Yes.

1 Q. When was that?

2 A. My recollection was it was coming up for a

3 review at the Bond and Investment Committee as part

4 of its annual review, and that's when I first read,

5 you know, some of the background on that deal.

6 Q. Is it typical for the Bond Investment

7 Committee to review each investment annually?

8 A. Yes.

9 Q. And is that annually, annually as of the

10 date of the transaction?

11 ATTY. DAVIS: Objection. You can

12 respond.

13 A. I don't know. Don't know.

14 Q. And so were you sitting on the Bond

15 Investment Committee when the Abbott transaction

16 came up for annual review?

17 A. I don't believe I was a formal member of the

18 committee at the time. I was still a guest at the

19 meeting.

20 Q. And can you recall the approximate date at

21 which the Abbott transaction came up for annual

22 review?

23 A. My only reference is an e-mail that I sent

24 that says it was in April.

1 Q. Regardless of whether you voiced any  
2 comments, did you have any concerns regarding the  
3 Abbott transaction at that meeting?

4 A. At that meeting I think you have to  
5 understand I'm an invited guest of the Bond and  
6 Investment Committee, and at this early stage in my  
7 employment, I'm taking a very back seat role in this  
8 committee. I may make a small point of  
9 clarification, but I certainly wasn't offering  
10 opinions in the larger group. I was more an  
11 observer at this point in my employment.

12 ATTY. LORENZINI: I would like to mark  
13 as Mastromarino Exhibit 1 a document produced by  
14 John Hancock with Bates stamp JH2447, and it's an  
15 e-mail from Barry Welch to Stephen Blewitt, and then  
16 there is an e-mail below that from Mr. Mastromarino.

17 (Document marked as Exhibit 1

18 for identification.)

19 Q. Why don't you just take a look first at the  
20 bottom e-mail that appears to be from you to Barry  
21 Welch and Roger Nastou, dated March 14; do you  
22 recognize this e-mail?

23 A. Yes.

24 Q. Did you send this e-mail on or about March

1 14?

2 A. I did.

3 Q. You state in the e-mail, I read the write-up

4 on the 220MM last night. What write-up are you

5 referring to in that e-mail?

6 A. I assume in my own mind that it was the

7 write-up that Steve Blewitt put together for the

8 annual review.

9 ATTY. DAVIS: I caution you not to

10 speculate. To the extent you can recall you can

11 testify, but please don't speculate.

12 ATTY. LORENZINI: I'd like to mark as

13 Mastromarino Exhibit No. 2 another document with

14 Bates numbers JH1185 through 1202, and this is a

15 document with the heading John Hancock Life

16 Insurance Company Bond and Corporate Finance Group.

17 (Document marked as Exhibit 2 for

18 identification.)

19 Q. Why don't you just take a moment to browse

20 through this document, see if you recognize it?

21 ATTY. DAVIS: The question is does he

22 recognize it?

23 ATTY. LORENZINI: I'm just giving him a

24 chance...

1 closely.

2 Your name is not listed on this e-mail  
3 chain, but I'm just showing you this to see if it  
4 refreshes your recollection of whether Barry Welch  
5 passed on to you the memorandum that is attached to  
6 the e-mail we marked as Exhibit 3.

7 ATTY. DAVIS: Objection. You can  
8 respond.

9 Q. So that the question, just to recap is, do  
10 you recall seeing the memorandum attached to the  
11 e-mail that we have marked as Exhibit 3.

12 A. No.

13 Q. So this memorandum is not the write-up that  
14 you referred to in Exhibit 1, correct?

15 ATTY. DAVIS: Objection.

16 A. I need to step back here. I have no  
17 specific recollection of what document that e-mail  
18 is referring to. There was various work done in  
19 explaining this transaction, but I can't pinpoint  
20 whether -- I have no recollection of this document  
21 or this document, and I just don't know what  
22 document that refers to.

23 Q. Fair enough. Let's turn back to  
24 Mastromarino Exhibit No. 1. Did you write this



1 March 14 e-mail prior to the meeting of the Bond  
2 Investment Committee at which the Abbott transaction  
3 was reviewed?

4 A. I can't say.

5 Q. In the second sentence of your e-mail you  
6 write, I must say it is a bit too rich for my taste  
7 with too many assumptions and unknowns. What did  
8 you mean when you said that it is a bit too rich for  
9 my taste?

10 A. I think this has to be viewed in the context  
11 that I had no prior experience with lending and/or  
12 investing in drug trials, and I was unfamiliar with  
13 the probabilities, the modeling techniques that  
14 Steve and others put together on this deal.

15 I recognize that there had been prior  
16 deals of similar sort, but personally it was  
17 something -- it was new territory for me, and my  
18 assessment of rich meaning, boy, it's got a lot of  
19 assumptions, it's got a lot of modeling issues, it's  
20 a bit over my head in terms of comprehending how  
21 this ultimately works in it's collective -- whether  
22 one drug moves forward, lays back, goes sideways,  
23 and the other one picks up. There were quite a few  
24 moving parts.

1 Keep in mind also I'm looking at a small  
2 document for -- you know, and the ability to come up  
3 to speed on something that Steve and others had  
4 spent months, maybe years, working on.

5 I wasn't -- I didn't expect myself to  
6 pick up on this overnight, and so I said, boy, a lot  
7 of moving parts, a bit rich.

8 Q. You mentioned that John Hancock had invested  
9 in some other -- had made some other investments in  
10 the pharmaceutical industry?

11 A. (Nod.)

12 Q. Did any of those transactions, to your  
13 knowledge, involve investment in compounds under  
14 development in exchange for a royalty on the  
15 products if they made it to market?

16 A. I don't recall. I mean, I know that they  
17 dabbled in pharmaceuticals. Understand as well,  
18 unless it's coming to committee, I'm unaware of the  
19 specifics on any of those deals.

20 Q. Did any other pharmaceutical deals come to  
21 the Bond Investment Committee while you were sitting  
22 in on those committee meetings?

23 A. I don't recall.

24 Q. What were the assumptions and unknowns that

1 you saw in the Hancock Abbott deal?

2 A. At a very high level what I took away from  
3 this deal was that there were a number of  
4 probabilities based on prior experience, and there  
5 were relationships, interrelationships, among and  
6 between the different drugs, and I didn't understand  
7 how these all came together in an overall package.

8 This was new territory for me, and I was  
9 very much in a learning mode in terms of trying to  
10 understand how reliable these probabilities were,  
11 the assumptions, how accurate were the models.

12 Q. What steps did you take to address those  
13 questions you had about the accuracy of the  
14 assumptions and the probabilities?

15 A. I had discussions with Barry Welch, Steve  
16 Blewitt to understand better their comfort in the  
17 assumptions and the models.

18 Q. Did you speak with anyone else regarding the  
19 Abbott transaction, other than Welch and Blewitt?

20 A. I don't believe so.

21 Q. If you look back at the e-mail you state in  
22 the second sentence, How would I ever explain should  
23 it not work out as predicted.

24 To whom would you have to provide an

1 explanation if the Abbott transaction didn't work

2 out as predicted?

3 ATTY. DAVIS: Objection.

4 A. I reported to the Chief Financial Officer

5 who was one step further removed from an investment

6 background, and so with all these assumptions, and

7 all these models, and all these intricacies, and

8 correlations, and non-correlations, I wasn't clear

9 in my own mind how they worked or didn't work.

10 I couldn't begin to explain to a CFO who

11 deals in very concrete financial terms how, you

12 know, something like this works, so, I mean, that

13 was part -- I wouldn't know where to begin, and, you

14 know, part of this was my lack of understanding in

15 terms of the business itself. This was my first

16 experience with this, and I was, you know, trying to

17 get up to speed as to, you know, what really was --

18 how it all worked.

19 Q. You mentioned in the next sentence of this

20 e-mail that even if I could get comfortable with the

21 legitimacy of it all, the size of this deal is

22 beyond my threshold and certainly beyond the house

23 limit for what is at best a B rated credit risk.

24 What did you mean by beyond my

1 terms, and then let's see where this role really  
2 fits longer term, meaning the Chief Risk Officer  
3 role, but it was very much a -- it did not carry the  
4 traditional authority stature that it had in the  
5 banking world.

6 ATTY. DAVIS: May we take a break at  
7 some point in time?

8 ATTY. LORENZINI: Why don't we do that  
9 now.

10 THE VIDEOGRAPHER: Going off the record.  
11 The time is 11:10 a.m.

12 (Recess taken.)

13 THE VIDEOGRAPHER: Going back on the  
14 record. The time is 11:20 a.m.

15 Q. Before we took a break you were mentioning  
16 that part of your responsibility was to provoke  
17 discussion and perhaps stimulate change in the  
18 status quo at John Hancock. What did you mean by  
19 the status quo?

20 A. House limits was a classic example. We  
21 wanted to look at house limits and bring them down.

22 Q. Although you testified before that you  
23 weren't sure whether there, in fact, were house  
24 limits prior to your arrival at John Hancock,

1 correct?

2 A. I'm not sure what they had. I know it was a

3 big part of the discussion when I arrived.

4 Q. So you hoped to create strict house limits

5 for the amount of money Hancock could invest in each

6 particular risk level of investment?

7 A. This really wasn't my initiative; this was

8 coming from the top of the house. They wanted

9 smaller limits.

10 Q. And limits that would actually be adhered

11 to?

12 ATTY. DAVIS: Objection.

13 A. Again, these were guidelines. Limits is too

14 narrow.

15 Q. So even when you were there it was

16 considered too strict to actually have limits on the

17 aggregate investments for each risk level, correct?

18 ATTY. DAVIS: Objection.

19 A. Can you rephrase that?

20 Q. During your time at John Hancock there was

21 no effort to impose strict limits on the aggregate

22 investment in each particular level of risk in the

23 sense that the limits could never be exceeded?

24 A. I think that's true.

1 Q. And did you believe that measurement of the  
2 Bond Group's performance created incentives for the  
3 Bond Group to enter into transactions that were  
4 excessively risky?

5 ATTY. DAVIS: Objection.

6 A. No.

7 Q. Did you believe that measurement created any  
8 incentives that you regarded as negative?

9 A. No.

10 Q. I take it you thought it was a negative that  
11 the size of the Abbott deal was beyond what you were  
12 attempting to impose as a house limit on  
13 transactions of that type.

14 A. Yes.

15 Q. So wasn't it a problem if there was  
16 incentives in the Bond Group to enter into  
17 transactions of this type?

18 ATTY. DAVIS: Objection.

19 A. I don't know what you mean.

20 Q. In the last sentence of your e-mail you seem  
21 to be suggesting that there was some need in the  
22 Bond and Corporate Finance Group to continually  
23 reach for yield to meet corporate return on equity  
24 goals, and you seem to be suggesting that it was

1 of it.

2 Q. This e-mail also says, he reacted especially

3 to size -- I suggested more like 8 separate bets

4 totalling up to 220 million?

5 A. Mm-mm.

6 Q. Do you recall having a conversation with Mr.

7 Welch in which you reacted particularly to the size

8 of the Abbott transaction?

9 A. I don't specifically recall a conversation

10 with Barry on that point.

11 Q. But you do recall being concerned about the

12 size of the transaction?

13 ATTY. DAVIS: Objection.

14 A. In the context of the house limits, yes.

15 Q. The house limits that you and others were

16 attempting to impose?

17 A. Yes.

18 Q. Do you recall Mr. Welch suggesting that the

19 Abbott transaction was more like 8 separate bets, as

20 opposed to one deal?

21 A. I don't specifically recall that.

22 Q. The next line Mr. Welch writes, reviewed low

23 odds that none hit, only one hits, etc. Do you

24 recall a discussion with Mr. Welch in which he



1 CERTIFICATE

2 I, JOHN L. MASTROMARINO, do hereby certify that I  
 3 have read the foregoing transcript of my testimony,  
 4 and further certify that said transcript is a true  
 5 and accurate record of said testimony (with the  
 6 exception of the following corrections listed  
 7 below):

8	Page	Line	Correction/Reason
9	_____	_____	_____
10	_____	_____	_____
11	_____	_____	_____
12	_____	_____	_____
13	_____	_____	_____
14	_____	_____	_____
15	_____	_____	_____
16	_____	_____	_____

17

18

19 Signed under the pains and penalties of perjury  
 20 X this 27 day of November, 2006.

21

22

23

24

*John L. Mastromarino*  
 JOHN L. MASTROMARINO

# **Mastromarino Deposition Exhibit 1**

## **D's Exhibit FS**

FW: Abbott Labs -- Heads up

Page 1 of 1

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**From:** Welch, Barry [bwelch@jhancock.com]  
**Sent:** Friday, March 14, 2003 4:32 PM  
**To:** Blewitt, Stephen  
**Cc:** Nastou, Roger  
**Subject:** FW: Abbott Labs -- Heads up

Steve:

I had a good conversation w/ John about

- context of equity investing program (this, project equity, etc.)
- confirmed that we hold on BA schedule, w/ 30% RBC charge
- he reacted especially to size -- I suggested more like 8 separate "bets" totaling up to \$220mm
- reviewed low odds that none hit, only one hits, etc.

Also suggested that he could probably visit with you a bit more on the background of our thinking about/support for Odds on drugs at stage x, y, z with FDA of receiving final approval.

Beyond just Abbott, I want him to have a chance to get a better feeling for the strength of our analysts -- how we think about risk, ratings, etc. so we build credibility over time.

Thanks,  
Barry

-----Original Message-----

**From:** Mastromarino, John  
**Sent:** Friday, March 14, 2003 8:59 AM  
**To:** Welch, Barry; Nastou, Roger  
**Subject:** Abbott Labs

Hi guys, well, I read the write-up on the 220MM last night, a very thoughtful piece and certainly a lot of effort and research went into the approval document. I must say it is a bit too rich for my taste with too many assumptions and unknowns; and how would I ever explain should it not work out as predicted. But even if I could get comfortable with the legitimacy of it all, the size of this deal is beyond my threshold, and certainly beyond the house limit for what is, at best, a B rated credit risk. All driven, no doubt, by our need to continually reach for yield to meet corporate ROE goals. j

John L. Mastromarino  
Chief Risk Officer  
Enterprise Risk Management  
617-572-6262  
617-572-6212 (fax)



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